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The DEMAND and PRICE SITUATION

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Approved by the Outlook and Situation Board, March 20, 1958

SUMMARY

The current decline in economic activity has brought some reduction in the flow of income to consumers. Nevertheless, consumer purchases of food continues high; retail food store sales have increased further in recent months and are 8 percent above a year earlier. Prices received by farmers rose 2 percent from mid-January to mid-February and averaged some 8 percent above February a year earlier. Prices paid by farmers also continued to move up in the early months of the year, and in mid-February averaged 3 percent above a year earlier The parity ratio in mid-February was 83 up from 80 in February 1957.

Farmers plan to plant for harvest in 1958 a little less acreage than in 1957 and the lowest in 40 years, according to the March 1 planting intentions report. This is 5.6 million acres, 2 percent, less than in 1956. Little information is available this early in the season on probable yields. If the season is about average, crop production this year would drop a little below last year's record-equalling figure. Intended feed grain acreage is down 4 percent

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1957 Year	1957 Feb.	1957 Nov.	1957 Dec.	1958 Jan.	1958 Feb.
Industrial production: Seasonally adj. 1/							
Total	1947-49=100	143	146	139	135	133	130
All manufactures	do.	145	147	141	137	134	131
Durable goods	do.	159	164	153	146	143	137
Nondurable goods	do.	130	131	128	127	126	125
Minerals	do.	128	132	122	122	121	119
Construction:							
Total outlays, seasonally adjusted 2/	Mil. dol.	47,255	3,861	4,043	4,051	4,013	3,958
Private residential	Mil. dol.	16,571	1,391	1,434	1,444	1,403	1,416
Housing starts 3/ 4/	Thousands	1,041	935	1,009	970	1,030	890
Construction contracts awarded 5/	Mil. dol.		2,161	2,371	1,982		
Manufacturers' sales and inventories: 2/							
Total sales, seasonally adjusted	Mil. dol.	28,383	29,534	27,221	26,690	26,266	
Durable goods	Mil. dol.	14,159	14,808	13,548	13,092	12,639	
Unfilled orders-sales ratio 6/		3.40	4.10	3.65	3.71	3.68	
Inventory-sales ratio 7/		1.89	1.79	1.98	2.01	2.01	
Durable goods		2.20	2.09	2.33	2.38	2.50	
Employment and wages: 8/							
Total civilian employment 9/	Millions	65.0	63.2	64.9	64.4	62.2	62.0
Nonagricultural 9/	do.	58.8	58.0	59.1	59.0	57.2	57.2
Unemployment 9/	do.	2.9	3.1	3.2	3.4	4.5	5.2
Workweek in manufacturing	Hours	39.8	40.2	39.3	39.4	38.6	38.5
Hourly earnings in manufacturing	Dollars	2.07	2.05	2.11	2.10	2.10	2.10
Income and spending:							
Personal income payments 2/ 3/	Bil. dol.	343.4	338.5	346.2	343.6	343.6	341.8
Consumer credit outstanding 1/	Mil. dol.	44,798	40,738	43,530	44,798	43,966	
Automobile	Mil. dol.	15,496	14,432	15,542	15,496	15,326	
Total retail sales, seasonally adj. 2/	Mil. dol.	16,667	16,356	16,562	16,855	16,718	16,209
Durable goods	Mil. dol.	5,705	5,747	5,606	5,588	5,538	5,148
Inventory-sales ratio 7/		1.47	1.46	1.47	1.45	1.46	
Prices:							
Wholesale prices, all commodities 4/	1947-49=100	118	117	118	118	119	119
Commodities other than farm and food	do.	126	126	126	126	126	126
Farm products	do.	91	89	92	93	94	96
Foods processed	do.	106	104	106	107	109	109
Consumer price index, all items 4/	1947-49=100	120	119	122	122	122	122
Food	do.	115	114	116	116	118	119
Prices received by farmers 10/	1910-14=100	242	234	242	242	247	252
Crops	do.	234	234	224	218	225	229
Livestock and products	do.	249	234	258	264	267	273
Prices paid, interest, taxes and wage rates 10/	1910-14=100	296	293	298	299	301	302
Family living items	do.	286	284	289	289	289	290
Production items	do.	258	256	260	263	264	265
Parity ratio 10/		82	80	81	81	82	83
Farm income and marketings: 10/							
Volume of farm marketings	1947-49=100	116	97	151	131		
Cash receipts from farm marketings	Mil. dol.	30,019	2,018	3,205	2,933		

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Data published by the Department of Commerce in the Survey of Current Business, from reports of the F. W. Dodge Corporation. 6/ Unfilled orders for durables divided by monthly deliveries. 7/ Inventories, book value, end of month, divided by sales. 8/ Bureau of the Census. 9/ Starting with January 1957, figures are not strictly comparable with earlier periods because of changes in definitions of employment and unemployment. 10/ U. S. Department of Agriculture, Agricultural Marketing Service.

Annual data for most of these items for the years 1929, 1932 and 1939-56 appear on page 31 of the April 1957 issue of The Demand and Price Situation.

THE DEMAND AND PRICE SITUATION

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from last year, with a slight increase for corn more than offset by decreases for oats, barley and sorghum grains. Food grain acreage is likely to be up with increases for both wheat and rice. Soybean acreage continues the upward trend with intentions calling for a 10 percent increase over last year's record.

Most economic indicators continued to slip during January and February. Declines in industrial production, employment and further small reductions in the workweek have led to lower wage and salary payments. In February, the annual rate of wage and salary payments was down about 3 percent from the peak reached in August 1957. Increasing unemployment compensation payments have offset part of the decline. The rate of total personal income in February was down $5\frac{1}{2}$ billion dollars or a little more than $1\frac{1}{2}$ percent from the peak.

Capital spending by businessmen in 1958 according to a recent survey by the Securities and Exchange Commission and the Department of Commerce is scheduled to be 13 percent lower than the record 37 billion dollars in 1957. Investment in new plant and equipment in manufacturing is scheduled to be lower by one-sixth with moderate declines in most industries and sharp declines in automobiles, steel, textiles and paper. Capital spending by all nonmanufacturing industries except public utilities is expected to be lower in 1958 than 1957.

Commodity Highlights

Prices of stockers and feeder cattle are expected to remain near present levels this spring and well above last spring. With sizable market supplies of fed cattle building up, prices are expected to decline appreciably this spring from their late winter level, which was the highest since January 1953. However, prices will generally continue above last year.

Widespread storms and cold weather in mid-February tightened egg supplies, and prices rose sharply in the last half of February. Despite moderate declines in early March, prices continued above mid-February.

Prices of feed grains advanced in recent weeks from the seasonal low in January. No. 3 Yellow Corn at Chicago for the week ended March 14 was 10 cents above the January low.

Cash wheat prices rose after late February and on March 18 were generally at or near the high for the season to date. The gain reflected concern over a possible shortage of "free" wheat.

With the supplies of oranges and grapefruit lighter than a year ago, prices are expected to continue higher this spring than last.

Barring further adverse weather, shipments of fresh market vegetables from Florida should pick up rapidly during the next few weeks. Prices are likely to ease off from the very high levels of this winter.

With recurring weather damage to new crop potatoes and light stocks in the Central States, prices have advanced sharply from the relatively low levels of early February.

The average price received by farmers for cotton continued to decline in February; it was 5-1/4 cents per pound below a year earlier reflecting the low quality of the crop.

The number of stock sheep on January 1 was 3 percent larger than a year earlier, indicating a little larger shorn wool clip in 1958 than in 1957.

GENERAL BUSINESS CONDITIONS

Personal incomes in February declined moderately from January and were down 1-1/2 percent from the high in August 1957. Cold weather and slow sales of durable goods adversely influenced the level of total retail sales. Outlays for new construction, seasonally adjusted, declined slightly from January. Manufacturing sales declined in January and inventories were also reduced. Industrial production slipped off further in February, with the output of durable goods again showing the greatest declines. Employment also declined and unemployment, seasonally adjusted, reached 6.7 percent of the civilian labor force.

Consumer incomes in February on an annual rate basis totaled 341.8 billion dollars, off 1.8 billion from January and 5.5 from the high of last August. Wage and salary payments totaled 234.8 billion in February, down 2.8 from January due to lower employment and a shorter workweek. As in recent months most of the reduction was concentrated in the commodity producing industries--manufacturing, mining, construction and agriculture, forestry and fisheries--particularly manufacturing, at 95.2 billion, they were 2.4 billion below January and 7.6 below August. Wage and salary payments in trade, transportation, communication, public utilities and Government at 105.2 billion in February were virtually unchanged from the August high. In the service industries wage and salary payments of 34.4 billion in February were up 700 million from August. Social Security, unemployment benefits and other Government payments continued to rise in February and were up 2.3 billion from August due to rising unemployment and old-age benefits and higher veterans compensation.

Retail sales in February were adversely affected by cold weather. Durable goods sales, particularly new automobiles, were down. According to advance reports, retail sales totaled 16.2 billion dollars, seasonally adjusted, 3 percent lower than January but 1 percent below a year ago. Nondurable goods store sales totaled 11.1 billion, 1 percent lower than January but 4 percent above a year earlier. Durable goods store sales at 5.1 billion were 7 percent below January and 10 percent below a year earlier. Food store sales apparently continued at the record levels of recent months in February and were 8 percent above a year earlier. Sales of gasoline service stations and drug stores also were well above year earlier levels. Eating places, apparel and general merchandise store sales were a little below last year, but sales of the automotive, furniture and appliance and building hardware groups were down 14, 11 and 9 percent, respectively from February 1957.

A survey of consumer buying intentions released by the Federal Reserve Board indicates that fewer families plan to buy cars, homes, furniture and big appliances in 1958 than in 1957. New car buying plans were the lowest since 1951. In appraising their financial situation, a third of the consumers indicated they were better off in 1958 in comparison with 40 percent in 1957. The number worse off also increased to 30 percent, up from 23 in 1957. While the replies indicate a less favorable situation than in the last three years, they are similar to replies in early 1954 and early 1949.

Capital Spending in 1958 Down

Capital spending by business in 1958 is expected to total 32 billion dollars, 5 billion below the record 1957 level of 37 billion according to a recent survey of the Office of Business Economics and the Securities and Exchange Commission. Manufacturing companies plan to reduce their capital spending in 1958 a sixth from the record 16.0 billion dollars in 1957 to 13.2 billion in 1958. Commercial companies expect to reduce spending by an eighth in 1958, while railroads are scheduled to be more than a third lower.

Mining and nonrail transportation also show substantial declines of 15 and 19 percent respectively. Public utilities expect to increase expenditures 4 percent in 1958 reflecting the continued expansion by the electric power industry.

Among the industry groups in manufacturing, primary iron and steel and nonferrous metals which reached a peak late in 1957 are scheduled to decline 26 and 40 percent respectively, after almost three years of advances. Producers of motor vehicles, which reached a peak of 1.7 billion dollars in 1956, declined to 1.1 billion in 1957, and a further substantial cutback to 768 million dollars is scheduled in 1958. Capital spending of other transportation equipment is expected to decline in 1958 to 460 million, down 84 million from 1957. The machinery groups are projecting a comparatively small decline, in the neighborhood of 7 percent in 1958. The petroleum industry in 1958 is expected to cut back spending 10 percent, and the chemical group, 6 percent. The textile and paper industries are expected to lower spending 38 and 23 percent respectively.

Planned capital spending during the first quarter of 1958, seasonally adjusted at annual rates, is now estimated to be 34.0 billion dollars, down 6 percent below the fourth quarter of 1957 and about $1\frac{1}{2}$ billion dollars below the estimate of last fall. A further decline in capital spending is indicated for the April-June quarter to 32.6 billion dollars, down $4\frac{1}{2}$ percent from the present quarter. In the first half of 1958 expenditures are scheduled to be 10 percent lower than the last half of 1957, after seasonal adjustment.

Construction Outlays Down Slightly

Outlays of new construction in February, seasonally adjusted, totaled 3,958 million dollars, down 1-1/3 percent from January but $2\frac{1}{2}$ percent above a year earlier. Private construction outlays at 2,789 million dollars were up slightly from January and 1-3/4 percent above a year earlier. Residential (nonfarm) construction rose slightly in February to 1,416 million dollars, but it was slightly below the 1957 high in December. Private housing starts, which lead outlays on construction, in February totaled 890,000 units, on a seasonally adjusted annual rate basis, down 140,000 from January and 45,000 thousand below a year earlier, as building was delayed by adverse weather during February. Nonresidential building construction outlays declined during the month as industrial and commercial building slipped and more than offset a small gain in outlays for private schools, churches and hospitals. Outlays of public utilities increased slightly during the month, and farm construction outlays were unchanged.

Public construction, seasonally adjusted, totaled 1,169 million dollars in February, down 5 percent from January but 4 percent above a year earlier. Declines in highway spending and lower outlays for nonresidential building were principally responsible for the lower level in February.

Table 1.--Expenditures on new plant and equipment by quarters for 1957 and 1958, seasonally adjusted at annual rates

Item	1957	1958 1/	1957				1958 1/	
	Year	Year	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Manufacturing	15.96	13.20	16.12	16.25	16.37	15.27	14.17	13.23
Durable goods industries	8.02	6.22	8.09	8.31	8.23	7.57	6.83	6.19
Nondurable goods industries	7.94	6.97	8.03	7.94	8.14	7.70	7.34	7.04
Mining	1.24	1.06	1.35	1.28	1.24	1.15	1.09	1.11
Railroad	1.40	.87	1.42	1.35	1.54	1.26	1.09	.84
Transportation other than rail	1.77	1.44	1.52	1.82	1.81	1.91	1.68	1.27
Public utilities	6.20	6.41	5.72	5.93	6.64	6.43	6.34	6.34
Commercial and other 2/	10.40	9.10	10.76	10.40	10.15	10.21	9.68	9.76
Total	36.96	32.07	36.89	37.03	37.75	36.23	34.05	32.55

1/ Estimates based on anticipated capital expenditures as reported by business between late January and early March 1958.
2/ Includes trade, service, finance and construction.

Securities and Exchange Commission and the Department of Commerce.

Manufacturers' Sales, New Orders And Production Continue to Decline

New orders received by manufacturers since last fall have continued to decline despite some pickup in the volume of defense procurement contracts. Manufacturers' sales, while declining, have exceeded new orders which has substantially reduced order backlogs. Manufacturers also reduced their investment in inventories.

In January new orders booked by manufacturers, seasonally adjusted, reached 24.2 billion dollars, down $3\frac{1}{2}$ percent from December and 16 percent from January 1957. Over half of the reduction between December and January was in the transportation equipment group, mainly aircraft, with smaller reductions in machinery and fabricated metal products. New orders for nondurable goods were slightly below December, and 8 percent below a year earlier.

Manufacturers' sales, seasonally adjusted, slipped off to 26.3 billion dollars in January, down 400 million from December and 3.7 billion dollars from a year earlier. Among durable goods manufacturing, most of the drop occurred in primary and fabricated metals, machinery and transportation equipment industries. Increases in food, petroleum and paper industry sales more than offset declines in textile and chemical industries, resulting in a slight advance in nondurable goods sales during January.

The book value of inventories at the end of January totaled 52.9 billion dollars, down nearly 600 million from December and 1.2 billion from the September 1957 peak. Most of the cutback in inventories in January was in durable goods industries, but about one-half the decrease occurred among motor vehicle and aircraft companies. The value of nondurable goods industries inventories was down slightly to 22.3 billion dollars during the month, 150 million below the August 1957 peak.

Unfilled orders in January at 49.1 billion dollars were $1\frac{1}{2}$ billion below December and 15 billion below a year earlier.

The Federal Reserve Board's index of industrial production in February slipped off further to 130 (1947-49=100) after seasonal adjustment, 2 percent below January and 11 percent below a year earlier. Again most of the cutbacks in production were concentrated in the durable goods industries. Among the durable goods industries, those producing consumer goods cut back production the greatest and automobile production was reduced about a fifth from January under pressure of slow sales and mounting dealer inventories. The auto production index dropped to 115 (1947-49=100) down 31 percent from February 1957. Output of other consumer durables drifted lower but at a slower rate than autos. Retail sales of durable goods continued below year earlier levels.

Primary metals output declined further in February but not as sharply as from October to January. The index at 95 was 4 percent below January. Steel production in February totaled 5.8 million tons, 14 percent below January; the

lowest level except during major steel strike periods since July 1949. The index of machinery output at 145 declined 4½ percent. Output of the food, paper and printing, textile and rubber industries was virtually unchanged, while chemicals and petroleum groups declined slightly.

Employment Continues Decline In February

Unseasonally cold weather in February curtailed outdoor work and reduced production slightly in some industries. In addition, employment was curtailed as demand slackened and production continued to ease off. Total employment at 62.0 million was 250,000 lower than January and 1,202,000 below a year earlier.

Nonagricultural employment at 57.2 million in February was 838,000 below a year earlier. Very little of this decline in employment can be accounted for by seasonal factors. Based upon reports of initial claims for unemployment insurance benefits, employment cutbacks apparently have slackened although claims continue substantially above a year earlier.

Manufacturing employment, seasonally adjusted, in February at 15.6 million was 333,000 below January. Employment in durable goods industries again accounted for most of the decline. The number of production workers slipped off the most in automobiles (transportation equipment) during the month; primary metals, machinery and metal fabricating also reduced employment. There was a small further reduction in the number of production workers in nondurable goods industries, down 51,000 from the preceding month. Apparel, textiles, chemicals, and rubber industries registered small declines. Employment in the food, printing and petroleum industries remained virtually unchanged.

Nonmanufacturing employment, seasonally adjusted, at 35.5 million, was down 272,000 from January. Employment trends were relatively favorable in trade, finance, public utilities, service and Government. Total employment in these industries at 29.4 million was about the same as January. Employment in construction, mining and transportation at 6.1 million was 260,000 below January.

Unemployment rose more than seasonally for the fourth straight month to 5.2 million, up 679,000 from January and 2,052,000 from February 1957. Continued layoffs in durable goods manufacturing and unusually bad weather accounted for most of the rise, but there was also a considerable number of women and young persons entering the labor market. The seasonally adjusted rate of unemployment as a percentage of the labor force rose to 6.7 percent compared with 5.8 percent in January.

As in recent months the average nonfarm workweek declined and at 39.4 hours in February was .9 hours below a year earlier. The number of workers on overtime was reduced, and increased numbers were on short workweeks. The average factory workweek declined slightly from January to 38.5 hours compared with 40.2 hours a year earlier. As a result of the shorter workweek, average weekly earnings dropped 21 cents over the month to $80.85. This was $1.56 below a year earlier.

Prices Up Slightly

Wholesale prices in the month ended February 15 at 118.9 (1947-49=100) were up slightly from January. Higher average prices for fruits and vegetables, livestock and live poultry were chiefly responsible for raising the farm products index to 95.5 up 7½ percent from a year earlier and the highest level since August 1954. The processed foods index also increased slightly to 109.0 and the index in February was 5 percent above a year ago and the highest level since September 1952. Industrial prices at 125.8 (1947-49=100) were down slightly from January due mostly to lower wholesale prices for textiles, rubber products, lumber and fuel, power, and lighting supplies.

Urban consumer prices in February rose to 122.5 (1947-49=100), up 0.2 percent from January and 3.2 percent above a year earlier. Most of the gain in the index was due to higher food prices. Fresh vegetables and fruits rose 2 percent from January. The meat poultry and fish group advanced further to 112.0, up 1½ percent from January and 10 percent from February 1957. The food index at 118.7 in February was at an all time high, and 4½ percent above a year earlier. Apparel prices and the cost of transportation declined while medical and personal care and housing costs rose further during the month.

Prices Paid Continue Advance

Higher prices for family living and production goods raised the average of prices paid by farmers for commodities and services in February to 278 (1910-14=100), up 1 point from January and about 3 percent from a year earlier.

Prices paid for family living items established a new all-time high at 290 (1910-14=100) compared with 289 in January. The index was 2 percent higher than a year earlier. Food prices advanced during the month due to increases in fresh vegetables, cereal products and meat. Prices of household furnishings and auto supplies rose, while clothing prices and building materials declined.

Prices for farm production items also advanced 1 point to 265 on February 15. Feeder cattle prices were up sharply; baby chick and turkey poult prices also increased. The index of feeder and replacement livestock at 368 in mid-February was 3 percent higher than in mid-January and nearly a third above a year earlier. The feed price index on February 15 rose one-half percent from a month earlier, but it was 8 percent below February 15, 1957 and the lowest level for the date since 1946.

Prices Received Rises Sharply; Parity Ratio Up

Farm product prices rose 2 percent in the month ended February 15 to 252 (1910-14=100), up 8 percent from a year earlier and the highest level since May 1954. Smaller marketings but increased prices for meat animals, citrus

fruits and commercial vegetables were primarily responsible for the advance in the index. Commercial vegetable prices at 376 (1910-14=100) were 13 percent above January and equal to the all time high in April 1943. Higher prices for snap beans, cabbage, and green peppers were principally responsible for the rise in the index. Potato prices were up 15 percent. Average prices received by farmers for oranges increased two-thirds and lemons also were higher. Meat animal prices advanced for the fourth consecutive month to 324 (1910-14=100), the highest since May 1954 and up 5 percent from January. Hogs at $19.70 were up $1.20 per cwt., and the hog-corn price ratio for February at 20.6 was at an all time high.

Price declines occurred in February for eggs, cotton and milk. Egg prices averaged 36.6 cents a dozen in mid-February, down more than seasonally but above a year earlier. Prices received by farmers for cotton continued to decline. They were nearly a fifth lower than a year earlier. The index at 211 (1910-14=100) was the lowest level since May 1946. Prices paid to farmers for wholesale milk declined seasonally in February.

Prices received by farmers were up 2 percent from January to February, and prices paid were up less than 1 percent; consequently, the parity ratio advanced to 83, 1 percent above January and 3 percent above a year earlier.

Central market prices for some important agricultural commodities averaged higher around the middle of March than in mid-February. Corn prices at Chicago were up 5 percent over the month. Wheat at Kansas City rose 4 percent and rye at Minneapolis increased 1½ percent. Among the livestock products, steers (average all grades) and cows (utility) averaged 4 percent higher at the Chicago market than in mid-February. Midwestern eggs declined in early March but as of mid-month were still 13 percent higher than a month earlier. Hog prices at Chicago were up about 1 percent from a month earlier.

FARM INCOME

Farmers received about 4.8 billion dollars from marketings in the first two months of this year, 4 percent more than in the corresponding period last year. Prices averaged nearly 6 percent higher in the first two months of 1958, and marketings were smaller. Receipts from livestock and products were about 2.9 billion dollars, 11 percent above 1957. Higher prices for all major types of meat animals, and for eggs and chickens accounted for most of the increase. Crop receipts of 1.9 billion dollars declined about 6 percent from a year ago largely because of lower prices for nearly all important crops except vegetables.

Total cash receipts in February are estimated at 2.0 billion dollars, up 1 percent from February 1957 because of higher prices. Prices of livestock-and-products averaged 17 percent higher and receipts increased to about 1.3 billion dollars, 11 percent more than a year earlier. Crop receipts of 0.7 billion dollars were down 14 percent from a year ago. Average prices and marketings were both down a little.

LIVESTOCK AND MEAT

Prices of all meat animals except hogs in early 1958 were the highest since 1952, and hog prices were the highest since 1954. Prices were up because slaughter was down, and because big feed supplies and a favorable livestock price outlook gave rise to strong demand for feeder and breeding stock.

Cattle prices are running considerably above last year and will continue generally favorable during 1958. However, the margin of difference over 1957, which in mid-March ranged from $4.00 (canner and cutter cows) to $10.00 (prime steers) per 100 pounds, will narrow considerably. A big supply of fed cattle has been building up, and seasonally increasing marketings may reduce their prices by summer to near or a little below last year. Prices of stocker and feeder cattle are expected to remain seasonally strong during the spring, then decline moderately. Lamb prices may follow a roughly similar course, with some further advance probable in the next few weeks.

Hog producers in 10 States indicated in early March that their spring farrowings were conforming approximately to their plans last December. They saved about 12 percent more pigs in December-February than a year earlier, and expected to have 1 percent more sows farrow in March-May than last year. They also expect a 13 percent rise in June-August farrowings. (No new information on total U. S. farrowings is yet available.) These increases make it likely that prices of hogs, after remaining relatively high until about midsummer, will decline more than usual during the fall. Prices this fall will likely drop below last fall, but not by a great deal.

DAIRY PRODUCTS

Total milk production in 1957 set a new record for the fifth consecutive year. The number of milk cows in the United States declined 2 percent in 1957, the twelfth decrease in the last 13 years, but production per cow rose to another new high. The 1957 output of 126.4 billion pounds was 0.9 billion pounds above 1956, the smallest increase in four years. A gain of around 1 billion pounds is likely in 1958.

A further decline in the number of milk cows is likely in 1958 as the number of farms keeping milk cows continues to fall off. However, the average size of herd is expected to increase. Production per cow probably will continue to rise as farmers improve their stock, use higher quality roughages and feed larger quantities of concentrate feeds. On March 1 the United States average production per cow was 3 percent above a year earlier and 22 percent above the 10-year average for this date. All regions reported a new record high for March 1.

The announcement that the support level for milk and butterfat will be lowered to 75 percent of parity on April 1 was made by the Secretary of Agriculture on December 18, 1957. Under existing law, the Secretary of Agriculture

is required to support prices for milk and butterfat at a level between 75 percent and 90 percent of parity that will assure an adequate supply. Based on parity computations using data for February 1958, the support price reduction will amount to about 22 cents per hundredweight for manufacturing milk and 2.4 cents per pound for butterfat. These reductions will be reflected generally in prices of manufacturing milk and butterfat throughout the country. The course of fluid milk prices, following the reduction in support on manufacturing milk, will be influenced by some important additional factors including supply-demand relationships and premium policies in individual markets. The average price to farmers for all milk on an annual basis after adjustment to a new support level may run lower than a year earlier by about 4 percent. Thus, the average price to farmers in the marketing year beginning April 1 probably will be just slightly above the $4.00 which prevailed in calendar years 1954 and 1955, compared with about $4.20 in 1957.

Cash farm receipts from the sale of milk and cream in 1958 may be reduced somewhat from 1957, as the increase in volume of milk sold by farmers will be more than offset by the decrease in prices. Feed costs also are likely to continue lower than a year earlier, while other costs probably will hold at 1957 levels. As a result, the reduction in net income from the dairy enterprise probably will be less than indicated by the prospective reduction in prices.

If there is no change in the gross cost for processing and distributing milk products, there will be reductions in retail prices of 3 to 4 percent for butter and cheese, and slight reductions for fluid milk and other dairy products. Total per capita use of milk products during 1958 probably will increase slightly over last year. Per capita consumption of butter in 1957 declined to the record low set in 1953. Changes in other products were mixed, and total per capita use of milk products in 1957 was about 2 percent below 1956, the second lowest on record.

With larger carry-in stocks the total supply of milk and its products for consumption in 1958 will be larger than a year earlier, but below the two preceding years. Even with a slight increase in consumption per capita, the commercial supply of dairy products in the marketing year beginning April 1, 1958 will exceed commercial outlets. Purchases for price support, however, are likely to be slightly smaller than the approximately 6 billion pounds (milk equivalent) being purchased this marketing year. Stocks of butter on March 1 both in private possession and owned by CCC were larger than a year earlier but only about one-fourth those of three years ago. Holdings of American cheese by CCC on March 1 were moderately below those of a year earlier.

POULTRY AND EGGS

Egg prices rose sharply in the last half of February, after they had fallen earlier in the month to what will likely prove to be the 1958 low. The higher prices continued into mid-March, when mixed colors, Extras, in Chicago were about 42 cents per dozen, 12 cents above a year earlier and 6 cents above a

month earlier. Average prices received by farmers in mid-February were 36.6 cents per dozen, almost 4 cents higher than in February 1957. Farmers' prices through the spring are likely to continue above the year before, probably by a wider margin than in mid-February.

Widespread storms and cold weather in mid-February affected the supply of eggs. At the beginning of that month, egg production was temporarily above the year before, and prices for some grades declined to about year-ago levels. But supplies tightened abruptly after mid-month, and the price trends were reversed. Due to the smaller flock now on hand -- March 1 layers were 4 percent fewer than last year -- monthly egg production until about mid-year is likely to be below 1957.

After mid-year, the volume of egg production will be increasingly influenced by the size of this spring's hatch of replacement chicks. In early February farmers planned a 6 percent increase over last year's low (since records were begun) of 394 million chickens raised. January and February hatchings this year have averaged 11 percent above 1957. The increases may not be as great in the remaining important hatching months, and total hatchings for the season may be closer to the intentions than the early season rate indicates. Eggs in incubators March 1 for replacement-type were 4 percent above 1957.

Up to about 6 percent more replacement chickens than last year would not raise the size of the fall laying flock above 1957, because the present laying flock includes an unusually large number of layers which probably will be sold this fall or earlier. However, if the intentions are substantially exceeded, the laying flock in the last quarter of 1958 will be larger than last year.

Broiler prices in February and early March increased further following the sharp rises that occurred in early January. At 19.9 and 20.3 cents per pound, respectively, the mid-January and mid-February U. S. average prices in producing areas were 1.9 and 0.9 cents above the year before. The mid-December 1957 price was 16.3 cents per pound. While the price increases were partly seasonal, they were affected also by cold weather, continued high prices for red meats and by reports of high death losses -- now curbed -- in some broiler flocks. During these months of increased prices, broiler production was about 9 percent above last year, and recent replacements and egg settings indicate that production between mid-March and mid-year will exceed 1957 by 10 percent.

Turkey hatchings in recent months covering 15 to 20 percent of a normal season's hatchings, have been only three-fourths of a year earlier. Farmers' January intentions were to raise about the same number of turkeys as the record 80.6 million in 1957. The 1958 output is likely to fall short of the intentions, in which case prices late in the year would increase slightly compared with 1957. Current prices for turkey hens from storage are a few cents per pound higher than last year, but toms are lower. Present marketings from farms are near the season's low. The U. S. average farm price for the relatively few sales was 24.7 cents in mid-February, 1.5 cents above the September-January average which included the bulk of sales from the 1957 crop.

OILSEEDS, FATS AND OILS

Supplies of food fats and oils through next September will be about as large as last year, maintained by the very heavy supply of soybean oil. Exports are expected to continue high during most of 1958 although slightly smaller than in the past few years. Domestic use of lard is down from a year ago, but that of edible oils is up somewhat. Stocks of food fats and oils next September 30 are likely to be nearly the same as a year earlier, but otherwise the lowest for this date since 1951. However, the carryover of soybeans will be larger and its oil equivalent probably will equal more than half the food fat stocks.

Exports of soybean and cottonseed oils in the October 1957-January 1958 period were 295 million pounds, compared with 500 million pounds a year earlier and 330 million two years ago. Percentagewise, cottonseed oil exports are running 22 percent below last year, and soybean oil exports are down 52 percent. Shipments of these edible oils under P. L. 480 are lagging more than commercial exports. A heavy pickup in purchases for export under P. L. 480, particularly soybean oil, is expected through the remainder of the marketing year. Under current P. L. 480 programs, about 523 million pounds of cottonseed and soybean oils remain to be shipped.

Exports of soybeans from October 1957 through mid-March 1958, based in part on inspection data, were nearly 53 million bushels compared with 50 million a year earlier. The total for the entire season is expected to be around 90 million bushels.

Crushings of soybeans continued at a record pace. The total during October 1957-February 1958 was an estimated 144 million bushels, about 8 million more than a year earlier. Oil outturn per bushel of soybeans processed has averaged a shade lower this season.

Oilseed meal exports are down sharply this feeding year, running less than 50 percent of last year's level. The biggest cuts are in shipments to Canada, the United Kingdom and Western Europe where protein demand has been slow. This situation is likely to continue through the feeding year. Soybean meal prices (bulk, Decatur) averaged $43.75 per ton in January, the lowest level in more than a decade. Prices moved up quite steadily in February and in mid-March were $57 per ton, reflecting continued heavy feeding and increased demand brought about by the recent cold weather.

Farmers placed nearly 90 million bushels or 19 percent of the 1957 crop soybeans under support. Redemptions and deliveries can be made through May. A sizable quantity of 1957 soybeans is likely to be acquired by CCC. However, a large volume of beans is expected to move from CCC hands to trade channels during the summer. About two-thirds of the soybeans under support will be needed before the 1958 crop is available if crushings and exports continue as large as now expected.

The USDA on February 21 announced that the 1958 soybean, flaxseed and cottonseed crops would be supported at 70,65 and 65 percent of the February 1958 parity prices, respectively, the same percentages as in 1957. The 1958 crop support prices and comparisons with 1957 levels are as follows: soybeans, $2.09 per bushel, no change; flaxseed, $2.78 per bushel, down 14 cents; and cottonseed, $41 per ton (purchase price, basis grade 100), down $1.00.

If farmers' intentions as of March 1 are realized, soybean acreage planted in 1958 will increase to 24.0 million, up 10 percent from last year and the highest of record. This would mean nine years of successive acreage expansion in which total plantings have doubled since 1948 and 1949. Increases over last year are in prospect in all major producing areas. The intended acreage in the heavy producing North Central area is up 8 percent, the South Atlantic up 5 percent, and the South Central 22 percent above 1957. If farmers carry out their intentions, and if the same proportion of the total acreage is harvested for beans as in 1957 and yields are equal the 1952-56 average by States, the crop would be about 460 million bushels, 4 percent less than last year. On the other hand, if yields should reach the 1957 record level, production would be about 525 million bushels. Flaxseed acreage in 1958 may decrease about a sixth below last year to the smallest since 1952. Leading States all show sharp decreases after last year's poor yields. If yields are average, production of flaxseed in 1958 would total 36 million bushels, 10 million more than the short crop last year. Total acreage of peanuts may be only slightly smaller than last year. However, if yields are average, production would be more than adequate to meet edible and farm uses.

FEED

Prices of feed grains and a number of the byproduct feeds have advanced in recent weeks. Increases have raised the general level above the low reached in January. The price of No. 3 Yellow corn at Chicago averaged $1.19 per bushel for the week ended March 14, 10 cents above the seasonal low in January. More moderate increases occurred in prices of other feed grains. Prices of oilseed meals, animal protein feeds and wheat millfeeds also advanced during the past month. Feed grain prices continue substantially below last year's level, while high protein feed prices advanced to near last year's level in February and early March.

Lower feed prices this winter have resulted in generally favorable feed price ratios for livestock producers. Prices received by farmers for hogs and beef cattle have been unusually high in relation to corn prices, and for dairy products and eggs the relationships have been above average. Farm chicken and broiler prices, however, continue below average relative to the cost of poultry ration.

Through February 15 farmers had placed 250 million bushels of sorghum grain and 141 million of barley under price support from the big 1957 crops, the largest of record. With less corn eligible for the full price support and with much of the corn high in moisture content, the 181 million bushels of corn placed under support through February 15 was 44 percent smaller than a year earlier.

On February 21 the U. S. Department of Agriculture announced price supports on 1958 crops of oats, barley and sorghum grain. The national average support for oats is 61 cents per bushel, the same as for the 1957 crop. The barley support of 93 cents per bushel is 2 cents lower, and the sorghum grain support of $1.83 per hundred pounds is 3 cents lower.

Through February 28 farmers had filed agreements for placing about 4 million acres of corn under the 1958 Acreage Reserve Program, the maximum acreage permitted with present funds allocated to the corn program. Farmers have offered an additional 3.2 million acres to be placed under the reserve program for which legislation is being considered to provide the necessary funds. This would bring total corn acreage offered to 7.2 million acres, compared with 5.2 million acres placed under Acreage Reserve in 1957.

Farmers will plant about 75 million acres of corn in 1958, 2 percent more than in 1957, if they carry out their March 1 planting intentions. On the other hand, an 8 percent reduction in oats acreage is in prospect, 3 percent less barley and 13 percent less sorghums giving an over-all reduction of about 4 percent. If yields should equal the 1952-56 average by States, 1958 feed grain production would be about a seventh below the record production of 142 million tons last year, but close to the 1952-56 average.

WHEAT

March 1 intentions indicate seedings of all spring wheat in 1958 of 12.6 million acres, nearly 2 percent more than last year but the second smallest acreage of record. The 1947-56 average is 19.4 million acres. The relatively small acreage to be seeded reflects grower participation in the Acreage Reserve program. Nearly 1 million acres of spring wheat land was placed in the Soil Bank through March 7 with an additional half million acres offered.

Intended seedings of durum wheat are indicated at 1.2 million acres, less than one-half the previous year and the average. As of March 1, durum wheat producers did not have as large allotments as those provided by special legislation for 1956 and 1957. Also, they were somewhat discouraged with the results of the 1957 crop as wet weather at harvest time greatly delayed durum harvest, with much of the final outturn grading down due to discoloration and poor quality. The acreage of other spring wheat that farmers intend to seed is indicated

at 11.4 million acres, the second smallest acreage of record. However, this would be 14 percent larger than the acreage seeded in 1957, but 5.4 million acres or 32 percent below average.

If yields this year equal the average of recent years, total wheat production this year may total around 1.1 billion bushels, compared with 947 million bushels in 1957. A crop of this size probably would prevent any further decline in carryover on July 1, 1959.

Cash wheat prices advanced after late February and on March 18 were generally at or near the high for the season to date. The rise reflected concern over a possible shortage of "free" wheat supplies, especially of some classes before the new-crop harvest. The price of white wheat in the Pacific Northwest was an exception to the price advance.

Of the total stocks of 1,377 million bushels of wheat on January 1, the quantity owned by CCC and held under the price support program totaled about 1,000 million bushels. The remaining "free" supplies of about 375 million bushels are not sufficient to take care of January-June requirements. Domestic requirements out of free old-crop supplies during the 6 months are estimated at 315 million bushels and exports from free supplies are expected to total about 150 million bushels. Current price advances, undoubtedly, will result in an increase in loan redemptions and sales of purchase agreement wheat, which will increase free supplies.

On March 20, the price of No. 2 Hard Red Winter, ordinary protein, at Kansas City at $2.27 and that of No. 2 Soft Red Winter at St. Louis at $2.26 were about 3 cents below the highs for the season to date, reached on March 18 and March 4, respectively. On the other hand, No. 1 Dark Northern Spring, ordinary protein, at $2.31 sold about 6 cents off its high reached on March 13, and No. 1 Soft White at Portland sold at $2.23, 11 cents under its high on December 6. On March 20, prices were generally 3 to 4 cents below the net support levels.

RICE

The acreage of rice seeded in 1958 will be increased 86,000 acres above that of 1957, according to March 1 planting intentions. If intentions are carried out, the 1.46 million acres would be 6 percent above last year, but 25 percent below the 1947-56 average. The increased seedings are primarily the result of less participation in the acreage reserve of the Soil Bank Program. Compared with last year, intentions are to hold seedings about unchanged in Missouri and Louisiana but increase seedings 1 percent in Arkansas, 9 percent in Texas, 18 percent in California and 31 percent in Mississippi.

If intended seedings materialize and if yields per acre equal the 1955-57 average by States, the 1958 production of rice would be 45.1 million cwt., 4.5 percent above the 43.1 million cwt. produced last year.

With domestic disappearance in 1958-59 estimated at 27.4 million cwt. (19.6 million for food, 5.4 for brewers' use and 2.4 for feed and seed), a crop of this size would require exports of about 18 million cwt. to avoid an increase in the carryover August 1, 1959. Exports in 1957-58 are expected to be about 19 million cwt.

FRUIT

Remaining supplies of both oranges and grapefruit are substantially lighter than a year ago, and prices are expected to continue higher this spring than last. Shipping-point prices for Florida oranges for fresh use held fairly steady during February and early March at levels somewhat higher than a year earlier. But prices for the dwindling supplies of Florida mid-season oranges for making frozen concentrate increased during February to levels much higher than a year earlier. Production of California oranges, is also down considerably this season, and auction prices continued much higher during February and early March than in this period of 1957. Shipping-point prices for Florida grapefruit held steady during February, but increased sharply during early March.

The weekly rate of use of Florida mid-season oranges declined during February and early March as the season for this class of oranges drew to a close. Use of Florida Valencias for fresh market shipment increased. It was seasonally light for Valencias for processing which needed increased maturity. As processing of oranges dipped in February, the volume of grapefruit processed increased that month. Utilization of oranges and grapefruit is being pushed as rapidly as maturity, facilities and markets will permit, partly because the freeze has caused fruit to drop from the trees more readily than usual.

In Florida, output of frozen orange concentrate by March 8 of the 1957-58 season was nearly 36 million gallons, 10 percent under a year earlier Packers' stocks were about 26 million gallons, down 20 percent. With prospective output of frozen concentrate from Valencias smaller than in 1957, supplies of frozen orange concentrate as well as of fresh oranges will continue lighter at least until next fall than in this period of 1957. In contrast, the pack of Florida canned single-strength citrus juices by March 8 was about 20 percent larger than a year earlier, and packers' stocks were up about 21 percent.

Prices for apples of good quality and condition at shipping points in eastern States continued to hold fairly steady during February and early March at levels moderately under a year earlier. Cold-storage stocks were somewhat heavier in New England and New York on March 1 than a year earlier, but they were lighter in Virginia and Michigan. In Washington, where stocks of apples

were much heavier than a year earlier, prices tended to decline during February and early March. During the week ended March 15, prices for leading varieties of Washington apples averaged more than a third under the unusually high prices of a year earlier when stocks were much smaller. Packers' stocks of canned applesauce on March 1, 1958 were about 5 percent under a year earlier, but those of canned apples were up 13 percent.

Cold-storage stocks of pears on March 1, 1958 were not greatly different from a year earlier. They were mostly D'Anjous as usual for this time of year. Prices for this variety on the principal auctions declined moderately during February and early March, and for the week ended March 14 averaged about 10 percent under a year earlier, when they had been increasing.

Production of strawberries in the early spring States (Louisiana, Alabama, and Texas) is expected to be 20 percent larger than the relatively light crop in 1957. Strawberries from these States will be marketed mainly during late March and April with some marketings in May, and will comprise the first substantial fresh market supplies of 1958. In Florida successive freezes and heavy rains practically eliminated the 1958 winter crop. Cold-storage stocks of frozen strawberries on March 1, 1958 were about 16 percent under the unusually large stocks a year earlier.

COMMERCIAL VEGETABLES

For Fresh Market

Winter vegetable production was estimated in early March at 25.8 million hundredweight, 15 percent less than last year and 17 percent below the 1949-56 average. Crops in Florida were particularly hard hit by freezes and excessive rains. Among the more important Florida vegetables, biggest reductions compared with a year ago were in snap beans, sweet corn, green peppers, and tomatoes. The crops of carrots in Texas and California, and cauliflower in Texas were also materially smaller than a year ago.

Barring further adverse weather, shipments from Florida should pick up rapidly during the next few weeks and prices are likely to ease off from the very high levels which prevailed most of the winter. But planting and growth of early spring crops have been delayed, and movement from Florida during the next 3-4 weeks is likely to continue lighter than normal.

Production estimates are currently available for only a few vegetables for spring harvest. Production of spring shallots is expected to be moderately larger than last year. Acreage of spring carrots is down sharply. In the early spring season, production of cauliflower is expected to be substantially larger than a year earlier, broccoli, lettuce and onions slightly to moderately larger and asparagus about the same. Acreage of early spring cabbage is down slightly from last year while acreage of early spring tomatoes is up sharply from a year earlier, but only slightly above the 1949-56 average. Yields near the average of recent years on the indicated acreages would result in substantially less cabbage than last year, but materially more tomatoes.

Among late spring crops prospective acreage of onions is up sharply, asparagus and cabbage up slightly and watermelons down slightly. However yields near the average of recent years, would result in substantially more melons than last spring. The March Intention Report also indicates that growers plan to plant a substantially smaller acreage to onions for early summer harvest than the large acreage last year, but a moderately larger acreage for late summer harvest.

For Commercial Processing

Indications are that supplies both of canned and frozen vegetables are slightly smaller than the very heavy supplies of a year ago. They are still well above the 1949-55 average, and f.o.b. prices of most items are at fairly low levels. Among the more important canned vegetables peas average lower in price than a year earlier, snap beans and corn about the same, and tomatoes and tomato juice higher.

Little information is available on processors' plans for 1958. Early reports estimate the production of winter and early spring spinach for processing at 60,600 tons, about 15 percent less than a year ago but substantially above the 1949-56 average. Reports in early March indicate that producers intend to plant about 15 percent fewer acres of peas for processing than in 1957; acreage for freezing would be down 16 percent and that for canning down 15 percent. Average yields on the indicated acreage would result in considerably smaller production for both canning and freezing than last year.

Intentions reports indicate a prospective acreage of tomatoes for processing about 1 percent larger than last year. Normal abandonment and 1953-57 average yields would result in a production above both that of 1957 and the 1949-56 average.

POTATOES AND SWEETPOTATOES

Supplies of potatoes are substantially smaller than the burdensome supplies of a year earlier. Storage stocks of fall crop potatoes on March 1 amounted to 47.4 million hundredweight, 11.5 million hundredweight less than on March 1, 1957 and 4.9 million below the 1950-57 average. Indicated production of winter potatoes, at 4.8 million hundredweight, is about 2.0 million hundredweight below the record level of last year.

Potato prices have advanced sharply from the levels of early February. Recurring weather damage has hit new crop potatoes, and light stocks in the Central States, have permitted wide distribution and good movement from stocks of fall crop potatoes in Maine and Idaho. Prices during the next 4-6 weeks are likely to continue at relatively high levels. The USDA potato diversion program was discontinued as of March 15.

Farmers in early February indicated intentions to plant 103,200 acres of potatoes for early summer harvest, about 2 percent more than last year. According to the March 1 intentions report, producers in the late summer and fall states combined plan to plant 1 percent more acreage of potatoes than last year.

Shipments of sweetpotatoes continue materially lighter than those of a year earlier, and prices are substantially higher. With continued light supplies in prospect, prices during the next two months probably will average substantially above those of a year earlier. March intentions reports indicate that farmers plan to plant about 1 percent larger acreage this year than in 1957.

DRY BEANS AND PEAS

Supplies of dry edible beans are smaller than a year earlier. In mid-February, United States prices received by farmers for dry beans averaged $7.63 per hundredweight, about 80 cents more than mid-February 1957. With lighter supplies available than a year ago, prices during the next few months are expected to remain above those of a year earlier. The U. S. average support price for 1958 crop dry edible beans has been announced at $6.18 per hundredweight (basis U. S. No. 1 beans), 13 cents lower than the support rate for the 1957 crop. In early March growers reported intentions to plant a 5 percent larger acreage of dry beans this year than last. With 1952-56 average yield, this acreage would produce about 10 percent more beans than last year.

Dry peas are in burdensome supply and prices continue at very low levels. Reports indicate that farmers intend to plant 12 percent less acreage than last year. Normal abandonment and 1952-56 average yield on the indicated acreage usual result in a production of 2.7 million hundredweight, almost a fifth less than last year.

COTTON

As of March 5 about 3.1 million acres of cotton land had been placed under the 1958 Acreage Reserve Program of the Soil Bank. Maximum payments on the accepted acreage are estimated at 169 million dollars or $54.65 per acre. The signup deadline was February 20. An additional 2 million acres were offered by farmers for which legislation is being considered to provide the additional funds. The deadline for adjustments or withdrawal from the program is March 28.

On February 7 the price support for 1958-crop upland cotton was announced at a minimum level of 30.75 cents per pound, gross weight, basis Middling 7/8 inch at average location. This compares with 28.81 cents per pound last year and 29.34 cents per pound for the 1956 crop. The 1958 support level was based on 81 percent of the parity price of 37.96 cents in effect for February. The parity price in effect for March was 38.08 cents.

The 1957 crop as reported by the Bureau of the Census on March 20 totalled about 10.9 million bales. Upland cotton ginned in the U. S. prior to January 16 this season averaged the lowest in grade since 1945-46, but the average staple was equal to last year.

CCC stocks of cotton (owned and held as collateral against outstanding loans but not including stocks sold for export and for unrestricted use) totaled about 4.8 million bales as of February 28, 1958. This was about the same as a year earlier but 5.8 million bales below a year earlier and 93 million bales below the post-World War II peak of 14.2 million bales set on January 20, 1956. CCC stocks as of January 31, 1958 included 16,000 bales of extra-long staple cotton.

Domestic mill consumption of cotton from August 1 through February 28 was 4.8 million running bales, approximately .5 million bales below the corresponding period a year earlier. In February the average daily rate of mill consumption was about 32,000 running bales and approximately the same as in January and 7 percent below a year earlier. Activity in the gray goods market continues slow.

Exports of cotton from August 1 through January 1958 were 2.8 million bales. This was nearly 1 million bales or 25 percent below last year but above the 12-year postwar average. Sales of CCC stocks for export between August 1, 1957 and July 31, 1958 totaled nearly 5.6 million bales as of March 14.

The average 14-spot market price for Middling 1-inch cotton has declined slightly since the high for the season reached in December. In February it averaged 34.62 cents, still nearly 1 cent above a year earlier. The average price received by farmers continued to decline, reflecting low quality marketings. The February average price per pound was 24.91 cents, 5-1/4 cents below a year ago. This was the lowest level since May 1946 and reflected 65 percent of parity.

WOOL

The 1957-58 world supply of wool is a little smaller than estimated earlier in the season and about the same as for 1956-57. The production estimate has been revised downward about 2½ percent, largely because of a smaller estimate for Australia. Drought has reduced the 1957-58 clip there to an estimated 7 percent below 1956-57.

Apparently sheep numbers and shorn wool production in the U. S. are increasing. The number of stock sheep on January 1 was 3 percent larger than a year earlier and the largest since 1953. Numbers continued to increase in the Native States last year. In the Western States numbers increased for the first time in six years, mainly because of improved range conditions. The increase in the number of stock sheep suggests that the 1958 shorn wool clip is likely to be a little larger than the 235.4 million pounds (104 million pounds, clean basis) of last year. Slaughter of sheep and lambs may be down a little this year as sheepmen continue to rebuild their flocks. If it is, production of pulled wool is likely to be a little less than the 33.6 million pounds (25 million pounds, clean basis) of last year. Combined output of shorn and pulled wool last year came to about 129 million pounds, clean basis, 5 percent less than in 1956 and equivalent to a little less than 5 percent of the world total.

The seasonally adjusted rate of aggregate consumption of wool in the 11 countries which report to the Commonwealth Economic Committee declined sharply after the second quarter of last year. It was 6 percent above a year earlier during the first half of the year and record high. During the third quarter the rate was down almost to the level of a year earlier. During the fourth quarter it was 10 percent below. The rate of use of other fiber by the woolen and worsted industries of these countries also declined during the second half of the year but somewhat less than that for wool.

In the U. S. the seasonally adjusted rate of mill use of both apparel and carpet wool began to decline during the summer of 1956. In January, the latest month for which information is available, the rate for apparel wool was 35 percent below a year earlier and 45 percent lower than when the decline began.

Use of apparel wool dropped partly because of reduced woolen and worsted mill activity. Consumption of all fibers in worsted combing and in woolen spinning of yarn other than carpet last year was down 10 percent from 1956. Woolen and worsted fabric production also declined. The sharp advance in wool prices in late 1956 and early 1957 and high interest rates encouraged the drawing on inventories of woolen and worsted products in manufacturing channels to fill orders. The relatively high wool prices also may have added impetus to the trend to lighter-weight fabric and may have encouraged the substitution of manmade fiber for wool in some items. Prices of manmade staple fiber were relatively stable, and its total use increased last year. Its use in worsted combing and in woolen spinning of yarn other than carpet was up 9 million pounds or 15 percent.

The decline in economic activity in the fourth quarter 1957 and uncertainty as to prospective consumer demand accelerated the decline in mill activity. Inventory liquidation apparently has about run its course, however, and with the decline in wool prices a pick up in mill activity may be in the offing. The timing and the extent of the improvement will depend, in a large measure, on the general economic situation and manufacturer and distributor anticipations as to consumer demand for wool products.

World consumption of wool (apparel and carpet) in 1957 increased for the third year in a row. But the increase was only 1 percent compared with a 9 percent rise in 1956. In the 11 countries that report to the Commonwealth Economic Committee aggregate consumption was up somewhat less than 1 percent. Changes relative to 1956 varied considerably from country to country, ranging from an increase of 27 percent in Italy to a decline of 15 percent in the U. S. Use of other materials by the woolen and worsted industries of these countries increased 5 percent.

The general direction of wool price changes since last May has been downward. Although prices advanced as much as 10 percent for some types between mid-December and mid-February, the advances have been more than offset by later declines. As of mid-March, duty-added prices of British Dominion

merino wools were from 45 to 60 cents per pound, clean basis, or 25 to 30 percent lower than last May and 30 to 45 cents lower than a year earlier. Net declines from a year earlier for crossbreds ranged from 25 to 40 cents. Prices of both merinos and crossbreds were from 20 to 25 percent lower than a year earlier. The decline reflects an easing of demand for wool in the United States and a number of other countries including France, Japan, and the United Kingdom.

Prices received by domestic growers for shorn wool during the first 10 months of the 1957-58 season averaged 54.4 cents per pound, grease basis, 10.1 cents higher than the average for the entire 1956-57 season. The season average is expected to be higher than the season average of 44.3 cents in 1956-57. Consequently, payment rates under the 1957-58 program will be lower than the 40 percent for shorn wool and 71 cents per hundredweight for unshorn lambs under the 1956-57 program since the incentive level is unchanged. The average price for the 1958-59 season is likely to be lower than that for 1957-58. In that case payment rates would be higher than those for 1957-58.

TOBACCO

Marketings of 1957 crop tobacco have been completed except for Maryland and Puerto Rican types. The Maryland crop will be marketed mostly this spring and summer and the Puerto Rican crop, mostly by mid-year. Prices for the 1956 Maryland crop averaged 51.6 cents per pound and the support level was 47.0 cents per pound. The 1957 crop support level at 90 percent of the October 1, 1957 parity is 48.0 cents per pound. The 1957 crop of Maryland estimated at 31.4 million pounds is 15 percent smaller than the 1956 crop and one of the smallest in many years. Carryover of Maryland tobacco on January 1 was only slightly less than a year earlier and total supply including the crop to be marketed is 6 percent below a year ago, the smallest since 1950. Most Maryland tobacco is used in domestic cigarette manufacture but exports have increased substantially in recent years. According to March 1 planting intentions, the prospective 1958 acreage of Maryland tobacco is down about 5 percent from that harvested last year.

Stocks of Puerto Rican tobacco in the United States and on the Island on January 1, 1958 were 11 percent below a year earlier. Unofficial reports have indicated the current crop to be considerably larger than the comparatively small 1956 crop. The support level for 1957 crop Puerto Rican tobacco is 32.5 cents per pound--- 1.1 cents higher than a year ago. Puerto Rican tobacco is mainly used as cigar filler.

According to the March 1 report on prospective acreage for 1958, the indicated acreage for flue-cured at 651,300 is nearly 2 percent lower than 1957 harvested acreage and 26 percent lower than 1956 harvested acreage. Allotments were cut 20 percent from 1956 to 1957 and are being held at the 1957 level this year. Acreage reduction this year is attributable largely to the placement of a sizable acreage in the acreage reserve program.

The 1958 acreage indicated for burley is 302,600, a little lower than harvested acreage during each of the previous 3 years. Most farm allotments for burley have been unchanged since the sharp cut in 1955.

The March 1 intended acreage for fire-cured and dark air-cured tobaccos were 16 and 13 percent less than harvested last year. The 1958 allotments were reduced about 10 percent from the 1957 levels.

Indicated 1958 acreage for cigar binder in the Connecticut Valley is down 29 percent from the small 1957 harvested acreage. Acreage allotments this year are about a tenth smaller than last year, and as in each of the previous 2 years, substantial acreage is being placed in the acreage reserve program. Drastic reductions in Connecticut Valley binder acreage have occurred in recent years as growers have adjusted to expanding use of processed sheet binder on cigars. As of March 1, Wisconsin cigar binder growers were planning slightly more acreage than last year's.

Ohio cigar filler acreage for this year is indicated at 3 percent above last year, but Pennsylvania cigar filler acreage may be 5 percent below the 1958 harvested acreage.

The March 1 intended acreages for the shade-grown cigar wrapper in the Connecticut Valley and Georgia-Florida are 1 and 6 percent less than last year's harvested acreage.

The 1958 prices of the kinds of tobacco under marketing quotas will be supported at 90 percent of parity except fire-cured, dark air-cured and Virginia sun-cured. For these latter types, since 1945, price supports have been computed at fixed percentages of the burley support. However, beginning with 1958, these supports cannot exceed (a) the level applicable to the 1957 crop or (b) 90 percent of the parity price, whichever is higher.

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